

# Audit Report

## **Sanilac County Health Department WIC Program**

October 1, 2005 – September 30, 2006



Office of Audit  
Quality Assurance and Review Section  
April 2008



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April 18, 2008

Dianna Schafer, M.P.A.  
Health Officer  
Sanilac County Health Department  
171 Dawson Street  
Sandusky, Michigan 48471

Dear Ms. Schafer:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Sanilac County Health Department WIC Program for the period October 1, 2005 through September 30, 2006.

The final report contains the following: description of agency; funding methodology; purpose and objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; and corrective action plan. The conclusions, findings, and recommendations are organized by audit objective. The corrective action plan includes the agency's paraphrased response to the Preliminary Analysis.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in cursive script that reads "Debra S. Hallenbeck".

Debra S. Hallenbeck, Manager  
Quality Assurance and Review  
Office of Audit

cc: Alethia Carr, Director, WIC Division  
Pam Myers, Acting Director, Office of Audit  
David Figg, Audit Manager, Office of Audit

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## **DESCRIPTION OF AGENCY**

The Sanilac County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Sanilac County, and the administrative office is located in Sandusky, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Sanilac County. The Health Department provides community health program services to the residents of Sanilac County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, Sexually Transmitted Disease Control, General Communicable Disease Control, Children's Special Health Care Services Outreach, Maternal & Child Health, Family Planning, Emergency Preparedness and Women Infants and Children (WIC) Supplemental Food Program.

## **FUNDING METHODOLOGY**

The Health Department services are funded from local appropriations, fees and collections, and grant programs. The Michigan Department of Community Health (MDCH) provides the Health Department with grant funding monthly, based on Financial Status Reports, in accordance with the terms and conditions of each grant agreement and budget.

Grant funding from MDCH for the WIC Program is federal funding under federal catalog number 10.557, and is first source funding, subject to performance requirements. That is, reimbursement from MDCH is based upon the understanding that a certain level of performance (measured in caseload established by MDCH) must be met in order to receive full reimbursement of costs (net of program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

## **PURPOSE AND OBJECTIVES**

The purpose of this audit was to assess the WIC Program internal controls and financial reporting, and to determine the MDCH share of WIC Program costs. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness in establishing and implementing internal controls over the WIC Program.
2. To assess the Health Department's effectiveness in reporting their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH share of costs for the WIC Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Department.

## SCOPE AND METHODOLOGY

We examined the Health Department's records and activities for the fiscal period October 1, 2005 to September 30, 2006. Our review procedures included the following:

- Reviewed the most recent Sanilac County Single Audit report for any WIC Program concerns.
- Completed the internal control questionnaire.
- Reconciled the WIC Program Financial Status Report (FSR) to the accounting records.
- Reviewed payroll, indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed WIC equipment inventory.
- Reviewed WIC coupon inventory controls.

Our audit did not include a review of program content or quality of services provided.

## CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

### INTERNAL CONTROLS

**Objective 1:** To assess the Health Department's effectiveness in establishing and implementing internal controls over the WIC Program.

**Conclusion:** The Health Department was generally effective in establishing and implementing internal controls over the WIC Program. No internal control exceptions were noted.

### FINANCIAL REPORTING

**Objective 2:** To assess the Health Department's effectiveness in reporting their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

**Conclusion:** The Health Department generally reported their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we noted an exception with payroll cost allocations (Finding 1).

## **Finding**

### **1. Improper Payroll Cost Allocation**

The Health Department's payroll cost allocation was not based on the actual activity of each employee as required by 2 CFR Part 225 (formerly Office of Management and Budget (OMB) Circular A-87).

The reported payroll allocation was based on budgeted positions rather than actual employee activity, although Health Department employees do prepare daily time/activity reports showing actual hours worked in each program. The actual employee time/activity data should, at a minimum, be periodically compared to the reported cost allocation and the reported amounts should be adjusted as necessary.

Per 2 CFR Part 225, Appendix B, item 8-h (5)(e)(ii), payroll allocations are required to be compared to actual activity at least quarterly, and necessary cost adjustments are required to be made accordingly.

Our comparison of reported WIC payroll cost, to cost based on actual time, determined variances from month to month, but showed that the reported cost for the year in total was very close to actual cost. Therefore, WIC grant funding was not affected.

## **Recommendation**

We recommend the Health Department allocate actual payroll cost to programs based on the daily time/activity records that are maintained.

## **MDCH SHARE OF COSTS**

**Objective 3:** To determine the MDCH share of costs for the WIC Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Department.

**Conclusion:** The MDCH obligation under the WIC Program for fiscal year ended September 30, 2006, is \$147,485. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC grant program funding.

**Sanilac County Health Department  
WIC Supplemental Food Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/05 - 9/30/06**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$147,485	\$147,485 <sup>1</sup>	\$0	\$147,485
Local and Other Funds	\$1,300	\$238	\$0	\$238
<b>TOTAL REVENUES</b>	\$148,785	\$147,723	\$0	\$147,723
<b>EXPENDITURES:</b>				
Salary and Wages	\$57,163	\$62,613	\$0	\$62,613
Fringe Benefits	\$33,155	\$34,698	\$0	\$34,698
Equipment	\$0	\$0	\$0	\$0
Supplies	\$9,616	\$2,700	\$0	\$2,700
Travel	\$0	\$290	\$0	\$290
Communications	\$500	\$337	\$0	\$337
Space Cost	\$13,246	\$13,463	\$0	\$13,463
Other Expense	\$5,300	\$4,657	\$0	\$4,657
Admin. - Indirect Cost	\$29,805	\$28,965	\$0	\$28,965
<b>TOTAL EXPENDITURES</b>	\$148,785	\$147,723	\$0	\$147,723

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Improper Payroll Cost Allocation

The payroll cost allocation was not based on the actual activity of each employee.

**Recommendation:** Allocate actual payroll cost to programs based on the daily time/activity records that are maintained.

**Comments:** Health Department agrees with the finding.

**Corrective Action:** The Health Department is monitoring staff service activity to assure such activity is recorded properly to each cost center. A quarterly and an annual review of program expenses will be conducted as a quality assurance measure.

### Anticipated

**Completion Date:** Completed.

**MDCH Response:** No comment.